Claims

1. A compound represented by the formula (I)

$$\begin{array}{c|c}
R^{1} \times X \\
R^{2} \times N \end{array}$$

$$\begin{array}{c|c}
E \times S^{1} \times O \times R^{3} \times R^{9} \\
R^{4} \times R^{10} \times OR
\end{array}$$
(I)

⁵ wherein X is S or O,

 R^1 and R^2 are the same or different and each is a hydrogen atom, an optionally substituted C_{6-14} aryl group, an optionally substituted heterocyclic group or an optionally substituted C_{1-6} alkyl group, or R^1 and R^2 are bonded to each other to form a

- ring together with the carbon atom they are bonded to, E is $-W^1-N(R^5)-W^2-$, $-W^1-CH(R^6)-O-W^2-$, $-W^1-O-CH(R^6)-W^2-$, $-W^1-S(O)n-W^2-$ or $-W^1-CH(R^6)-W^2-$ (W^1 and W^2 are the same or different and each is a bond or an optionally substituted C_{1-3} alkylene group, R^5 and R^6 are each an optionally substituted
- heterocyclic group or an optionally substituted hydrocarbon group, and n is 1 or 2, provided that when X is S, then R^5 and R^6 are not C_{1-6} alkyl groups),

ring S^1 is a benzene ring or pyridine ring each optionally further having substituent(s) selected from an optionally

substituted C_{1-6} alkyl group, an optionally substituted C_{1-6} alkoxy group and a halogen atom,

 R^3 and R^4 are the same or different and each is a hydrogen atom, a halogen atom, an optionally substituted C_{1-6} alkyl group or an optionally substituted C_{1-6} alkoxy group,

 R^9 and R^{10} are the same or different and each is a hydrogen atom, a halogen atom or a C_{1-6} alkoxy group, and R is an optionally substituted hydroxy group or an optionally substituted amino group,

or a salt thereof.

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2. The compound of claim 1, wherein E is $-W^1-N(R^5)-W^2-$, $-W^1-CH(R^6)-O-W^2-$, $-W^1-O-CH(R^6)-W^2-$ or $-W^1-CH(R^6)-W^2-$ (W^1 and W^2

are the same or different and each is a bond or an optionally substituted C_{1-3} alkylene group, and R^5 and R^6 are each an optionally substituted heterocyclic group or an optionally substituted hydrocarbon group, provided that when X is S, then R^5 and R^6 are not C_{1-6} alkyl groups),

ring S^1 is a benzene ring optionally further having substituent(s) selected from an optionally substituted C_{1-6} alkyl group, an optionally substituted C_{1-6} alkoxy group and a halogen atom, and

- 10 R⁹ and R¹⁰ are hydrogen atoms, or a salt thereof.
 - 3. A prodrug of a compound of claim 1 or a salt thereof.
- 4. The compound of claim 1, wherein R³ and R⁴ are the same or different and each is a hydrogen atom or a halogen atom, or a salt thereof.
- 5. The compound of claim 1, wherein E is $-W^1-N(R^5)-W^2-(W^1)$ and W^2 are the same or different and each is a bond or an optionally substituted C_{1-3} alkylene group, and R^5 is an optionally substituted heterocyclic group or an optionally substituted hydrocarbon group, provided that when X is S, then R^5 is not a C_{1-6} alkyl group), or a salt thereof.

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- 6. The compound of claim 5, wherein R^5 is an optionally substituted C_{7-16} aralkyl group, or a salt thereof.
- 7. The compound of claim 1, wherein R is a hydroxy group, or a 30 salt thereof.
 - 8. The compound of claim 1, wherein X is S, or a salt thereof.
- 9. The compound of claim 1, wherein ring S^1 is a benzene ring, or a salt thereof.

- 10. The compound of claim 1, wherein both R^9 and R^{10} are hydrogen atoms, or a salt thereof.
- 11. 3-[4-[[4-[[(2-Phenylethyl) (4-phenyl-1,3-thiazol-2-yl) amino]methyl]benzyl]oxy]phenyl]propanoic acid,
 3-[2,6-difluoro-4-[[4-[[(2-phenylethyl) (4-phenyl-1,3-thiazol-2-yl) amino]methyl]benzyl]oxy]phenyl]propanoic acid,
 2-fluoro-3-{4-[(4-{[(2-phenylethyl) (4-phenyl-1,3-thiazol-2-yl) amino]methyl}benzyl)oxy]phenyl}propanoic acid,
 3-{2-fluoro-4-[(4-{1-[(4-phenyl-1,3-thiazol-2-yl) sulfonyl]butyl}benzyl)oxy]phenyl}propanoic acid, or a salt thereof.
- 15 12. A GPR40 receptor function modulator comprising a compound of claim 1 or a salt thereof or a prodrug thereof.
 - 13. A pharmaceutical agent comprising a compound of claim 1 or a salt thereof or a prodrug thereof.
 - 14. The pharmaceutical agent of claim 13, which is an agent for the prophylaxis or treatment of diabetes.
- 15. Use of a compound of claim 1 or a salt thereof or a prodrug thereof for the production of a GPR40 receptor function modulator.

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- 16. Use of a compound of claim 1 or a salt thereof or a prodrug thereof for the production of an agent for the prophylaxis or treatment of diabetes.
- 17. A method of modulating GPR40 receptor function in a mammal, which comprises administering an effective amount of a compound of claim 1 or a salt thereof or a prodrug thereof to the mammal.

18. A method for the prophylaxis or treatment of diabetes in a mammal, which comprises administering an effective amount of a compound of claim 1 or a salt thereof or a prodrug thereof to

5 the mammal.